

WOODBINE MUNICIPAL LIGHT & POWER

FINANCIAL STATEMENTS

JUNE 30, 2015

WOODBINE MUNICIPAL LIGHT & POWER

WOODBINE, IOWA

JUNE 30, 2015

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WOODBINE MUNICIPAL LIGHT & POWER

OFFICIALS

JUNE 30, 2015

<u>NAME OF OFFICIAL</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Donald Kenkel	Trustee - Chairman	2017
Charles H. Warner, Jr.	Trustee	2015
Jean Clark	Trustee	2019
James Reisz	Superintendent	
Theresa Corrin	Office manager	

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

2835 S. 132nd Street
Omaha, Nebraska 68144
(402) 829-0121
FAX (402) 697-9096

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

Report on the Financial Statements

I have audited the accompanying financial statements of Woodbine Municipal Light & Power, a component unit of the City of Woodbine, Iowa, as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Utility's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Woodbine Municipal Light & Power Fund, a component unit of the City of Woodbine, Iowa as of June 30, 2015 and 2014, and the changes in net position and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Woodbine Municipal Light & Power has omitted Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued a report dated September 14, 2015, on my consideration of the Woodbine Municipal Light & Power Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.


Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodbine Municipal Light & Power Fund's basic financial statements. The accompanying supplementary information on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information on pages 18 through 21 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, supplementary information is fairly presented, in all material respects, in relation to the basic financial statements of the Woodbine Municipal Light & Power Fund taken as a whole.

Other Matters

As discussed in Note 1A, the accompanying financial statements present only the Woodbine Municipal Light and Power Fund and do not purport to, and do not, present fairly the net position of the City of Woodbine, Iowa, as of June 30, 2015 and 2014, and the changes in its net position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.


Certified Public Accountant

Omaha, Nebraska
September 14, 2015

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF NET POSITION
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Capital assets - net of depreciation	\$ 1,161,434	\$ 851,262
Special purpose funds:		
Customer deposits	17,595	16,136
Natural gas deposits	13,253	11,274
Total special purpose funds	<u>30,848</u>	<u>27,410</u>
Current assets:		
Cash	159,061	355,426
Receivables	101,892	127,247
Inventories	121,363	57,565
Certificates of deposit	353,363	556,080
Unbilled usage	48,000	43,324
Accrued interest receivable	25	113
Prepaid insurance	14,468	18,048
Total current assets	<u>798,172</u>	<u>1,157,803</u>
Total assets	<u>\$ 1,990,454</u>	<u>\$ 2,036,475</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable - trade	\$ 118,442	\$ 161,153
Accrued vacation and leave	21,370	18,658
Total current liabilities	<u>139,812</u>	<u>179,811</u>
Long-term liabilities:		
Natural gas and customer deposits payable	33,878	30,511
Total liabilities	<u>173,690</u>	<u>210,322</u>
Net position:		
Investment in capital assets, net of related debt	1,161,434	851,262
Net position - restricted	-	-
Net position - unrestricted	655,330	974,891
Total net position	<u>1,816,764</u>	<u>1,826,153</u>
Total liabilities and net position	<u>\$ 1,990,454</u>	<u>\$ 2,036,475</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Current use charges	\$ 1,383,173	\$ 1,412,632
Other operating revenues	10,321	6,729
Miscellaneous and rentals	2,806	724
Total operating revenues	<u>1,396,300</u>	<u>1,420,085</u>
Operating expenses:		
Cost of power	862,835	922,140
Distribution expenses	169,235	154,448
Accounting and collection	83,689	81,482
Administrative	239,139	163,335
Depreciation	51,126	49,822
Total operating expenses	<u>1,406,024</u>	<u>1,371,227</u>
Operating income	<u>(9,724)</u>	<u>48,858</u>
Non-operating revenues (expenses):		
Interest income	4,825	2,920
Penalties and late fees	8,097	7,174
Sales of materials and equipment	13,413	-
Interest expense	-	(60)
Total non-operating revenues (expenses)	<u>26,335</u>	<u>10,034</u>
Changes in net position before transfers	16,611	58,892
Transfers from City of Woodbine	46,364	46,369
Transfers to City of Woodbine	(46,364)	(46,369)
Transfers to Woodbine Mainstreet Chamber	<u>(26,000)</u>	<u>(6,000)</u>
Changes in fund net position	(9,389)	52,892
Net position, beginning of year	<u>1,826,153</u>	<u>1,773,261</u>
Net position, end of year	<u><u>\$ 1,816,764</u></u>	<u><u>\$ 1,826,153</u></u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,400,502	\$ 1,417,579
Cash payments to suppliers	(1,255,820)	(1,158,814)
Cash payments to employees	(195,928)	(156,230)
Other revenues	13,127	7,453
Net cash provided (used) by operating activities	<u>(38,119)</u>	<u>109,988</u>
Cash flows from noncapital financing activities:		
Transfers from Woodbine City Water Fund	46,364	46,369
Transfers to Woodbine City Water Fund	(46,364)	(46,369)
Transfers to City of Woodbine	(26,000)	(6,000)
Non-operating revenues - net	21,510	7,174
Net cash provided (used)by noncapital financing activities	<u>(4,490)</u>	<u>1,174</u>
Cash flows from capital and financing activities:		
Interest expense	-	(60)
Net cash used by capital and financing activities	<u>-</u>	<u>(60)</u>
Cash flows from investing activities:		
Purchases of investments and certificates of deposit	(354,394)	(762,405)
Proceeds from investments and certificates of deposit	557,111	763,578
Purchases of equipment	(361,298)	(94,445)
Interest on investments	4,825	2,920
Net cash used by investing activities	<u>(153,756)</u>	<u>(90,352)</u>
Net increase (decrease) in cash	(196,365)	20,750
Cash, beginning of year	355,426	334,676
Cash, end of year	<u>\$ 159,061</u>	<u>\$ 355,426</u>

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (9,724)	\$ 48,858
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	51,126	49,822
Changes in assets and liabilities:		
Receivables	25,355	7,560
Accrued interest receivable	88	94
Inventories	(63,798)	(2,171)
Unbilled usage	(4,676)	881
Prepaid insurance	3,580	(2,571)
Deposits	(3,438)	(3,588)
Accounts payable	(42,711)	20,406
Accrued vacation and leave	2,712	(12,930)
Customer deposits	3,367	3,627
Net cash provided (used) by operating activities	<u>\$ (38,119)</u>	<u>\$ 109,988</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 1,381,700	\$ 1,403,852	\$ 22,152
Other operating revenue	9,000	10,321	1,321
Miscellaneous and rentals	1,000	2,806	1,806
Total operating revenues	<u>1,391,700</u>	<u>1,416,979</u>	<u>25,279</u>
Operating expenses:			
Cost of power	866,260	796,495	(69,765)
Distribution expenses	195,345	335,687	140,342
Accounting and collections	90,305	83,689	(6,616)
Administration expenses	225,124	239,139	14,015
Total operating expenses	<u>1,377,034</u>	<u>1,455,010</u>	<u>77,976</u>
Operating income (loss)	<u>14,666</u>	<u>(38,031)</u>	<u>(52,697)</u>
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	49,000	46,364	(2,636)
Transfers to Woodbine City Water Fund	(58,190)	(46,364)	11,826
Transfers to City of Woodbine	(16,000)	(26,000)	(10,000)
Penalties and late fees	8,000	8,097	97
Interest income	2,524	4,737	2,213
Sale of materials	-	13,413	13,413
Total non-operating revenues (expenses)	<u>(14,666)</u>	<u>247</u>	<u>14,913</u>
Changes in net position	<u>-</u>	<u>(37,784)</u>	<u>(37,784)</u>
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	202,717	202,717
Purchases of capital assets	-	(361,298)	(361,298)
Total adjustments	<u>-</u>	<u>(158,581)</u>	<u>(158,581)</u>
Net increase (decrease) in cash	<u>\$ -</u>	<u>\$ (196,365)</u>	<u>\$ (196,365)</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2014		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 1,354,330	\$ 1,421,112	\$ 66,782
Other operating revenue	9,000	6,729	(2,271)
Miscellaneous and rentals	1,000	724	(276)
Total operating revenues	<u>1,364,330</u>	<u>1,428,565</u>	<u>64,235</u>
Operating expenses:			
Cost of power	835,000	855,487	20,487
Distribution expenses	216,750	202,366	(14,384)
Accounting and collections	87,870	81,482	(6,388)
Administration expenses	227,640	179,336	(48,304)
Total operating expenses	<u>1,367,260</u>	<u>1,318,671</u>	<u>(48,589)</u>
Operating income (loss)	<u>(2,930)</u>	<u>109,894</u>	<u>112,824</u>
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	40,000	46,369	6,369
Transfers to Woodbine City Water Fund	(42,380)	(46,369)	(3,989)
Transfers to City of Woodbine	(6,500)	(6,000)	500
Penalties and late fees	8,000	7,174	(826)
Interest income	4,030	3,014	(1,016)
Interest expense	(220)	(60)	160
Total non-operating revenues (expenses)	<u>2,930</u>	<u>4,128</u>	<u>1,198</u>
Changes in net position	<u>-</u>	<u>114,022</u>	<u>114,022</u>
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	1,173	1,173
Purchases of capital assets	-	(94,445)	(94,445)
Total adjustments	<u>-</u>	<u>(93,272)</u>	<u>(93,272)</u>
Net increase in cash	<u>\$ -</u>	<u>\$ 20,750</u>	<u>\$ 20,750</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies

Woodbine Municipal Light & Power has operated as an independent entity since 1941 and is governed by a three member Board of Trustees appointed by the Mayor of Woodbine, Iowa. The Utility provides power and electricity to residential and commercial customers in Woodbine, Iowa and the surrounding community.

A. Reporting Entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependence, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Woodbine Municipal Light & Power has been identified as a component unit of the City of Woodbine, Iowa. Woodbine Municipal Light & Power provides billing and collection services for water, sewer, gas and landfill charges for the City of Woodbine. However, these amounts have been eliminated for financial statements purposes. These financial statements do not reflect any activity or transactions of the City of Woodbine and do not present consolidated information.

B. Fund Accounting

The Utility, for financial statement purposes, includes the funds and operations applicable to Electric and Power services only. All financial activity is accounted for in a single enterprise fund. The intent of the governing body is that all acquisitions, operations and maintenance (including depreciation) of facilities and services to the general public on a continuing basis be financed or recovered primarily by user charges.

C. Measurement Focus and Basis of Accounting

Woodbine Municipal Light & Power's financial statements are reported on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

In reporting the financial statements, Woodbine Municipal Light & Power applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Operating revenues and expenses generally result from providing electric and power services, and maintaining and delivering goods and services in connection with ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

At June 30, 2015 and 2014, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget. The budget of the Utility is submitted with that of the City of Woodbine following required public notice and hearing. Budgetary information is presented on the cash basis, which is in conformity with the budgetary requirements for the Code of Iowa.

E. Deposits and Certificates of Deposit

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates are covered entirely by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Accordingly, Woodbine Municipal Light and Power had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

F. Inventories

Inventories consist of materials and supplies, and are valued at the lower of cost or market, based on the (FIFO) first in, first out basis.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Natural gas and customer deposit accounts are not considered cash equivalents. Cash investments not meeting the definition of cash equivalents include certificates of deposits amounting to \$353,363 and \$556,080 at June 30, 2015 and 2014, respectively.

H. Capital Assets

Capital assets consist of land, capital assets and accumulated depreciation. Woodbine Municipal Light & Power does not maintain a formal capitalization policy. Generally, costs for capital assets, new plant, distribution, or substation systems with estimated useful lives of five years or more are capitalized and depreciated over the estimated useful life. Repairs and replacements of existing systems and assets with estimated useful lives of less than five years are expensed as incurred. Costs and accumulated depreciation on capital assets sold, retired or no longer in service are deducted from the respective asset and accumulated depreciation accounts, and any gain or loss is recognized at that time. Construction period interest, if any, is not capitalized.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

1. Summary of Significant Accounting Policies - continued

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Off Balance Sheet and Concentration of Credit Risk

The Utility's receivables are due from residential and commercial customers for providing electric and power service. None of the receivables are collateralized. The Utility's cash and investments are currently maintained at one local depository institution. To date, these concentrations of credit risk have not had an effect on the results of operations of the Utility.

K. Compensated Absences

Utility employees accumulate vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized and accrued when earned. Sick leave is also accrued; however, sick leave is not paid upon termination, retirement or death. Amounts accrued are computed based on rates of pay in effect at June 30, 2015 and 2014, respectively.

L. Reclassifications

Certain amounts in the June 30, 2014 financial statements have been reclassified to conform to the June 30, 2015 presentation. Such reclassifications had no effect on changes in net position as previously reported.

2. Deposits and Investments

The Utility is authorized to invest public funds in interest bearing accounts at any bank, savings and loan association, or credit union, in the State of Iowa, which is approved by the State Treasurer and properly declared as a depository by the Board of Trustees; obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees, Iowa Public Agency Investment Trust and certain other investments with prior approval by the Board of Trustees.

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates at June 30, 2015 and 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

3. **Property and Equipment**

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Buildings, plant and distribution systems are depreciated over 40 years, whereas equipment is generally depreciated over 5 - 10 years.

June 30, 2015				
	Balance 06/30/14	Additions	Retirements & Disposals	Balance 06/30/15
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	237,728	-	-	237,728
Distribution system	1,558,991	361,298	-	1,920,289
Equipment	279,288	-	-	279,288
Totals	<u>\$2,091,257</u>	<u>\$ 361,298</u>	<u>\$ -</u>	<u>\$ 2,452,555</u>

June 30, 2015				
	Balance 06/30/14	Depreciation	Retirements & Disposals	Balance 06/30/15
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 138,373	\$ 3,989	\$ -	\$ 142,362
Distribution system	922,972	32,523	-	955,495
Equipment	178,650	14,614	-	193,264
Totals	<u>\$1,239,995</u>	<u>\$ 51,126</u>	<u>\$ -</u>	<u>\$ 1,291,121</u>

June 30, 2014				
	Balance 06/30/13	Additions	Retirements & Disposals	Balance 06/30/14
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	237,728	-	-	237,728
Distribution system	1,469,682	89,309	-	1,558,991
Equipment	274,152	5,136	-	279,288
Totals	<u>\$1,996,812</u>	<u>\$ 94,445</u>	<u>\$ -</u>	<u>\$ 2,091,257</u>

June 30, 2014				
	Balance 06/30/13	Depreciation	Retirements & Disposals	Balance 06/30/14
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 134,384	\$ 3,989	\$ -	\$ 138,373
Distribution system	893,854	29,118	-	922,972
Equipment	161,935	16,715	-	178,650
Totals	<u>\$1,190,173</u>	<u>\$ 49,822</u>	<u>\$ -</u>	<u>\$ 1,239,995</u>

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

4. Pension and Retirement Benefits

Woodbine Municipal Light & Power contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members were required to contribute 5.78% of their annual covered salary and Woodbine Municipal Light & Power is required to contribute 8.67% of annual covered payroll through June 30, 2015. Contribution rates and requirements are established by state statute. Woodbine Municipal Light & Power's required contribution to IPERS for the years ended June 30, 2015 and 2014 amounted to \$19,659 and \$18,007, respectively.

5. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, Woodbine Municipal Light & Power annually adopts a budget on the cash basis of accounting, following required public notice and hearing. Accordingly, budget to actual comparisons are presented on a "non-GAAP budgetary – cash basis" in the accompanying financial statements. The adjustments necessary to reconcile the differences between the cash and accrual accounting methods are as follows:

	<u>2015</u>	<u>2014</u>
Changes in cash – budgetary basis	\$ (196,365)	\$ 20,750
Depreciation expense	(51,126)	(49,822)
Net decrease in investments	(202,717)	(1,173)
Purchases of capital assets	361,298	94,445
Increase (decrease) in:		
Receivables	(25,355)	(7,560)
Inventories	63,798	2,171
Unbilled usage	4,676	(881)
Accrued interest receivable	(88)	(94)
Prepaid insurance	(3,580)	2,571
Customer deposits	3,438	3,588
(Increase) decrease in:		
Accounts payable	42,711	(20,406)
Accrued expenses	(2,712)	12,930
Customer deposits	(3,367)	(3,627)
Changes in net position – GAAP basis	<u>\$ (9,389)</u>	<u>\$ 52,892</u>

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

6. Related Party Transactions

The Woodbine Municipal Light and Power Fund provided labor and related costs and benefits to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as transfers and amounted to \$46,364 and \$46,369 for the fiscal years ended June 30, 2015 and 2014, respectively.

The Woodbine Municipal Light and Power Fund also provides electricity, file maintenance, meter reading, billing, collection and other various operating and office expenses to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as other operating revenues and operating expenses and amounted to \$10,321 and \$6,729 for the fiscal years ended June 30, 2015 and 2014, respectively.

Amounts due to the Woodbine Municipal Light and Power Fund from the City of Woodbine Water Fund are included in receivables and payables, and amounted to \$6,909 and \$4,198 for the fiscal years ended June 30, 2015 and 2014, respectively.

7. Net Position

Net position generally consists of the following three categories:

Net position invested in capital assets, net of related debt - are capital assets, net of accumulated depreciation, reduced by related outstanding notes, bonds, or other debt.

Restricted net position – are net assets which result when constraints or restrictions are placed on the use of net assets. The restrictions are generally imposed by external lending sources or by law.

Unrestricted net position - are those assets not meeting the definitions of the two preceding categories. Reservations of unrestricted net assets may be imposed by management; however, reservations do not restrict net assets in any manner.

8. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Woodbine Municipal Light & Power assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

9. Joint Ventures

Woodbine Municipal Light & Power is a participant in the Missouri Basin Electric Cooperative Association (MBMECA), a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative (NIPCO). NIPCO constructed the power lines, and there are no dedicated lines. There is an agreement which guarantees Woodbine Municipal Light & Power the right to draw power over the lines at a raw power cost without transmission charges. The Utility shares the joint venture with twelve other municipalities and the percentage of ownership varies from year to year. The Utility cannot recover any investment from MBMECA unless authorized by MBMECA, or if MBMECA ceases operations. In addition, the financial statements of the joint venture are kept on, and are audited on, a calendar year basis, and therefore are not comparable to the Woodbine Municipal Light & Power Fund's June 30 fiscal year end. Accordingly, the investment in the joint venture is not reflected as an asset in these financial statements. Payments by Woodbine Municipal Light & Power to MBMECA amounted to \$87,263 and \$98,982 for the fiscal year ended June 30, 2015 and 2014, respectively.

10. Subsequent Events

Management has evaluated subsequent events through September 14, 2015, the date on which the financial statements were available to be issued.

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

2835 S. 132nd Street
Omaha, Nebraska 68144
(402) 829-0121
FAX (402) 697-9096

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Woodbine Municipal Light & Power Fund, a component unit of the City of Woodbine, Iowa, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Woodbine Municipal Light & Power Fund's financial statements and have issued my report thereon dated September 14, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Woodbine Municipal Light & Power Fund's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Woodbine Municipal Light & Power Fund's internal control. Accordingly, I do not express an opinion on the effectiveness of the Woodbine Municipal Light & Power Fund's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Woodbine Municipal Light & Power Fund's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in the accompanying Schedule of Findings to be material weaknesses.

Internal Control Over Financial Reporting – continued

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodbine Municipal Light & Power Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Woodbine Municipal Light and Power Fund's operations for the fiscal year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light and Power Fund. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Woodbine Municipal Light & Power's Responses to Findings

The Woodbine Municipal Light and Power Fund's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Woodbine Municipal Light and Power's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the courtesies and assistance extended to me during the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you.



Certified Public Accountant

Omaha, Nebraska
September 14, 2015

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Distribution expenses:		
Wages	\$ 63,939	\$ 51,034
FICA	4,877	4,318
IPERS	5,252	4,767
Contract labor	1,141	564
Equipment	1,274	7,030
Insurance	53,300	20,636
Maintenance materials	8,760	47,219
Miscellaneous	397	466
Purchased services	2,633	1,136
Street lights	8,085	1,642
Supplies	559	548
Tool purchases	2,436	1,382
Training	30	610
Truck expenses	8,809	7,724
Uniforms	3,997	2,130
Utilities	3,746	3,242
Total distribution expenses	<u>\$ 169,235</u>	<u>\$ 154,448</u>
Accounting and collection expenses:		
Wages	\$ 54,091	\$ 51,921
FICA	4,261	3,917
IPERS	4,908	4,572
Contract labor	301	319
Insurance	15,474	15,120
Miscellaneous	532	262
Supplies	4,122	5,371
Total accounting and collection expenses	<u>\$ 83,689</u>	<u>\$ 81,482</u>

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES - CONTINUED
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Administrative expenses:		
Wages	\$ 70,698	\$ 46,075
FICA	5,643	4,706
IPERS	6,587	5,494
Advertising and legal publications	3,737	4,924
Assessments	4,911	5,340
Audit and accounting	5,600	5,375
Bad debt expense	1,761	-
Contract labor	3,691	3,323
Dues	200	30
Equipment	14,966	12,634
Energy efficiency programs	2,987	5,175
Insurance	36,264	30,236
Legal and engineering	28,855	5,655
Load management	2,500	2,500
Maintenance materials	10,274	817
Meeting expenses	17,434	2,750
Miscellaneous	182	3,016
Postage	4,292	2,950
Purchased services	366	6,408
Repairs and maintenance	3,506	1,276
Supplies	1,846	1,032
Telephone	2,732	2,658
Training	817	1,412
Truck expenses	2,090	2,349
Trustee fees	7,200	7,200
Total administrative expenses	<u>\$ 239,139</u>	<u>\$ 163,335</u>

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Part 1- Findings Related to the Financial Statements:

Internal Control Deficiencies:

- (A) Segregation of Duties - An important aspect of any internal control structure is the segregation of duties among employees to prevent individual employees from handling tasks that are incompatible. I recognize that, because of limited staff, the Utility is not able to segregate all incompatible duties.

Recommendation – I communicated to the Board of Trustees and management the importance of trying to obtain the maximum segregation of duties and the need to make improvements to the control structure where warranted and feasible. Because of this weakness, I communicated to Board of Trustees the importance of their administrative review of financial transactions and reports.

Response – Management and the Board of Trustees are aware of the reasons for the need to segregate incompatible duties where possible and of the need for administrative review. Management and the Board of Trustees will continue to make improvements where feasible and will continue to perform administrative reviews of the financial transactions and financial reporting.

Conclusion - Response accepted.

Part II – Instances on Non-Compliance:

No instances of non-compliance were noted.

Part III - Other Findings Related to Required Statutory Reporting:

The following comments about the Woodbine Municipal Light & Power Fund's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light & Power Fund. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2015.
- (2) Certified Budget – As required by the Code of Iowa fiscal year Utility expenditures may not exceed fiscal year budgeted amounts. For the year ended June 30, 2015, cash basis expenditures exceeded budgeted amounts in the amount of \$196,365. The majority of the excess expenditures were from using cash reserves for capital improvements and planned expenditures instead of incurring debt and related interest costs for the period ended June 30, 2015.
- (3) Questionable Disbursements - I noted no disbursements that, I believe, may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

WOODBINE MUNICIPAL LIGHT & POWER
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

- (4) Travel Expenses – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (5) Business Transactions – No business transactions were noted between the Woodbine Municipal Light & Power Fund and the Utility’s Officials, employees, or related parties which would require disclosure.
- (6) Bond Coverages - Surety bond coverage of the Utility’s officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes - No transactions were noted that I believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility’s investment policy.